

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Unionville Sebewaing Area Schools	County Huron
Fiscal Year End 6/30/07	Opinion Date 09/20/07	Date Audit Report Submitted to State 10/10/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

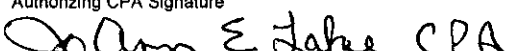
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

^{YES}
YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None required	
Other (Describe)	<input type="checkbox"/>	None required	
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C. CPAs		Telephone Number (989) 883-3122	
Street Address 41 East Main Street		City Sebewaing	State MI
Authorizing CPA Signature 		Printed Name Jo Ann Lakie	Zip 48759
		License Number 110107493	

**UNIONVILLE-SEBEWAING
AREA SCHOOLS
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
JUNE 30, 2007**

UNIONVILLE-SEBEWAING AREA SCHOOLS

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REPORT OF INDEPENDENT AUDITORS

To The Board of Education
Unionville-Sebewaing Area Schools
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville-Sebewaing Area Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unionville-Sebewaing Area School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville-Sebewaing Area Schools as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2007, on our consideration of Unionville-Sebewaing Area School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(Continued)

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REPORT OF INDEPENDENT AUDITORS

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Unionville-Sebewaing Area School's basic financial statements. The additional information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Unionville-Sebewaing Area Schools. The additional information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel P.C.

NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

September 20, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Unionville-Sebewaing Area School's (USA) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the district's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The General fund showed expenses slightly greater than revenues. General fund expenses came in lower than expected due to significant budget cuts.

The Athletic fund showed expenses greater than revenue by \$4,681.

The Food Service fund showed expenses greater than revenue by \$8,940.

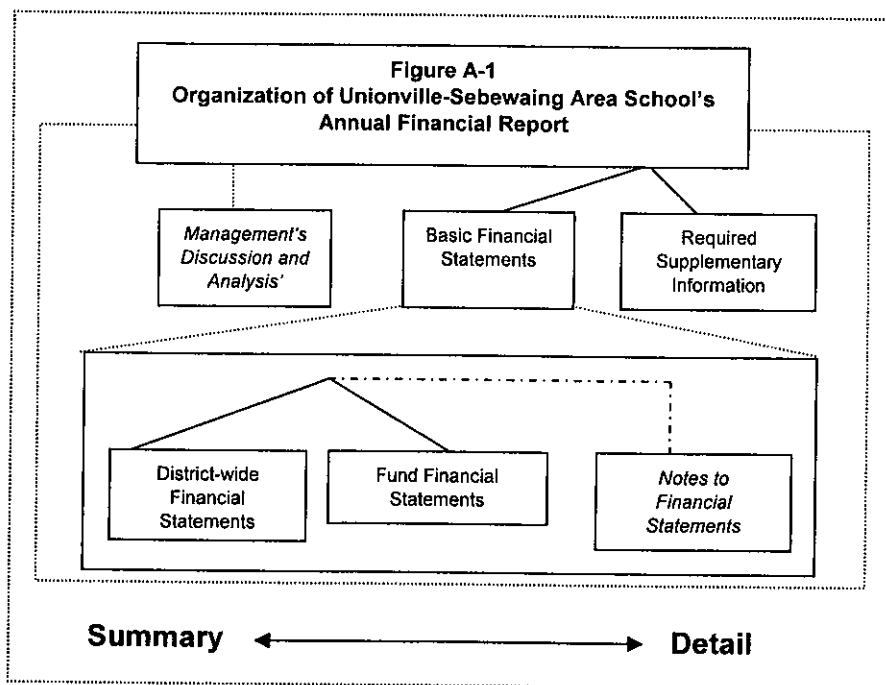
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.

The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.



Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2
Major Features of District-Wide and Fund Financial Statements**

	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Unionville-Sebewaing Area Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

Some funds are required by State law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

Government funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets – District net assets increased during fiscal 2007. Depreciation of District assets was \$630,152 for the year and impacts net assets. The increase in net assets is primarily due to a prior period adjustment which increased net assets by \$63,691.

Table A-3
Unionville-Sebewaing Area Schools

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 3,423,321	\$ 3,146,583
Capital assets, less accumulated depreciation	18,814,847	19,369,499
Total assets	<u>\$22,238,170</u>	<u>\$22,516,082</u>
Long-term debt outstanding	\$14,185,258	\$14,725,190
Other liabilities	2,759,072	2,506,586
Total liabilities	<u>\$16,944,330</u>	<u>\$17,231,776</u>
Net assets:		
Invested in capital assets net of related debt	\$ 4,109,948	\$ 4,166,972
Restricted	252,839	196,688
Unrestricted	931,053	920,646
Total net assets	<u>\$ 5,293,840</u>	<u>\$ 5,284,306</u>

Capital assets for 2006 reflect adjustment to accumulated depreciation in the amount of \$63,691.

Table A-4
Changes in Unionville-Sebewaing Area School's Net Assets

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues		
Charges for services	\$ 276,723	\$ 300,814
Federal and state categorical grants	553,124	550,595
General revenues		
Property taxes	1,821,726	1,719,529
State aid – unrestricted	5,852,931	5,798,136
Other	118,987	101,521
Total revenues	<u>8,623,491</u>	<u>8,470,595</u>
Expenses		
Instruction	4,546,960	4,715,088
Support services	2,765,017	2,706,703
Food services	368,246	331,344
Athletics	244,773	244,271
Interest on long-term debt	660,118	582,400
Unallocated depreciation	28,843	27,340
Total expenses	<u>8,613,957</u>	<u>8,607,146</u>
Increase (Decrease) in net assets	<u>\$ 9,534</u>	<u>\$ (136,550)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

A decrease in the District's combined fund balances was expected, however, due to reductions in spending, the balance increased by \$10,779. An increase in the Debt Retirement fund balance along with smaller than anticipated deficits in the General, Athletic, and Food Service funds attributed to this increase. Overall, the combined fund balances represent over 13% of yearly expenditures.

General Fund and Budget Highlights

During the 2007 fiscal year the District's original budget was amended twice to reflect the changes that had an impact on the District.

Initial budget amendments took place in February to reflect the actual student counts, the impact of staffing changes, and the anticipated increase in fuel costs. Additional amendments took place in June which reflected reductions in spending for the year.

Original revenues were budgeted at \$6,965,833 and the actual revenue amount was \$6,993,539. The original budget amount for expenditures and transfers was \$7,187,472 and the actual figure was \$7,025,289. The \$31,751 deficit of expenditures over revenues was lower than the anticipated deficit of \$221,639. The significant change in expenditures is due to reductions in spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases by the District in 2007 were primarily related to the purchase of a new school bus of \$64,229. Capital spending was \$75,500 in fiscal 2007.

Table A-5
Unionville-Sebewaing Area Schools Capital Assets
(Net of Depreciation)

	<u>2007</u>	<u>2006</u>
Land	\$ 491,700	\$ 491,700
Buildings and additions	17,710,604	18,194,027
Furniture and equipment	445,340	541,693
Transportation equipment	167,203	142,079
Totals	<u>\$18,814,847</u>	<u>\$19,369,499</u>

Long-term Debt

At year-end the District had over \$14.9 million in general obligation bonds and other long-term debt outstanding. This amount was about \$15.6 million for fiscal 2006. During fiscal 2007, the District repaid \$770,564 in principal, but also issued \$190,955 in new borrowings.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several areas that could have a major impact on the 2008 fiscal year, and the near future.

The State of Michigan has not passed a state aid bill for the 2007-08 school year.

Faced with nearly a \$2 billion dollar deficit, the State of Michigan is considering a combination of severe budget cuts and

an increase in the personal income tax to raise additional revenues. The State is considering no increase for schools and a possible proration reduction in the per pupil funding amount. In addition, a reduction in categorical funding is being discussed.

The combination of a decline in enrollment along with the State's depressed economic status, leads to a reduction in revenue for schools. The challenge for schools is to plan accordingly by controlling expenses and implementing appropriate budget cuts.

Table A-6		
Unionville-Sebewaing Area Schools Outstanding		
Current and Long-term debt		
	<u>2007</u>	<u>2006</u>
General obligation debts	\$14,270,000	\$14,940,000
(financed with property taxes)		
School bond Loan Fund	341,730	215,004
Other	<u>370,223</u>	<u>406,558</u>
Totals	<u>\$14,981,953</u>	<u>\$15,561,562</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Superintendent John "Kip" Walker, Ph.D. at 2203 Wildner Road, Sebewaing, MI 48759.

BASIC FINANCIAL STATEMENTS

UNIONVILLE-SEBEWAING AREA SCHOOLS

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

		GOVERNMENTAL <u>ACTIVITIES</u>
	ASSETS	
CURRENT ASSETS:		
Cash and deposits		\$ 741,819
Investments		1,243,962
Accounts receivable		1,045,310
Prepaid expenses		3,182
TOTAL CURRENT ASSETS		<u>3,034,273</u>
NON-CURRENT ASSETS:		
Bond issue costs		430,000
Less: Accumulated amortization		(40,952)
Nondepreciated capital assets		491,700
Depreciated capital assets		27,526,209
Less: Accumulated depreciation		<u>(9,203,062)</u>
TOTAL NON-CURRENT ASSETS		19,203,895
TOTAL ASSETS		<u><u>\$ 22,238,170</u></u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	GOVERNMENTAL ACTIVITIES
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 37,988
Accrued salaries and wages	444,794
Accrued teacher benefits	58,090
Accrued interest payable	131,823
Prepaid meals	6,332
Deferred revenue	79,215
Revenue anticipation notes payable	1,200,000
Current portion of long-term obligations	800,830
TOTAL CURRENT LIABILITIES	2,759,072
NON-CURRENT LIABILITIES:	
Premium on bond refunding	4,571
Less: Accumulated amortization	(436)
Limited obligation bond - Durant	28,940
Due to school bond loan fund	341,730
Bonds payable	14,270,000
Bus notes payable	64,229
Compensated absences	277,054
Less: Current portion of long-term obligations	(800,830)
TOTAL NON-CURRENT LIABILITIES	14,185,258
TOTAL LIABILITIES	16,944,330
NET ASSETS:	
Invested in capital assets, net of related debt	4,109,948
Restricted for:	
Debt service	252,839
Unrestricted	931,053
TOTAL NET ASSETS	5,293,840
TOTAL LIABILITIES AND NET ASSETS	\$ 22,238,170

UNIONVILLE-SEBEWAING AREA SCHOOLS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

FUNCTIONS/PROGRAMS	EXPENSES	Program Revenues		TOTAL GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 4,546,960	\$ 27,227	\$ 322,532	\$ (4,197,201)
Support services	2,765,017		50,711	(2,714,306)
Food service	368,246	171,842	179,881	(16,523)
Athletics	244,773	77,654		(167,119)
Interest on long-term obligations	660,118			(660,118)
Depreciation - Unallocated	28,843			(28,843)
Total governmental activities:	<u>\$ 8,613,957</u>	<u>\$ 276,723</u>	<u>\$ 553,124</u>	<u>(7,784,110)</u>
General revenues:				
Property taxes, levied for general purposes				627,090
Property taxes, levied for debt service				1,194,636
State aid				5,852,931
Investment earnings				71,264
Miscellaneous				<u>47,723</u>
Total General Revenues				<u>7,793,644</u>
CHANGE IN NET ASSETS				<u>9,534</u>
NET ASSETS - beginning of year				5,220,615
Prior period adjustment				63,691
NET ASSETS - end of year				<u>\$ 5,293,840</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2007

	GENERAL	DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and deposits	\$ 371,524	\$ 250,871	\$ 63,046	\$ 685,441
Certificates of deposit			56,378	56,378
Investments	1,243,962			1,243,962
Accounts receivable	1,043,096		2,214	1,045,310
Due from other funds	1,621	1,968		3,589
Prepaid expenses	3,182			3,182
TOTAL ASSETS	\$ 2,663,385	\$ 252,839	\$ 121,638	\$ 3,037,862
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 37,988			\$ 37,988
Due to other funds	1,968		1,621	3,589
Accrued salaries and wages	444,794			444,794
Accrued teacher benefits	58,090			58,090
Accrued interest payable	37,887			37,887
Prepaid meals			6,332	6,332
Deferred revenue	79,215			79,215
Revenue anticipation notes payable	1,200,000			1,200,000
TOTAL LIABILITIES	1,859,942		7,953	1,867,895
FUND BALANCE:				
Unreserved	803,443	\$ 252,839	113,685	1,169,967
TOTAL FUND BALANCE	803,443	252,839	113,685	1,169,967
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,663,385	\$ 252,839	\$ 121,638	\$ 3,037,862

The accompanying notes are an integral part of the financial statements.

UNIONVILLE-SEBEWAING AREA SCHOOLS

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS JUNE 30, 2007

TOTAL GOVERNMENTAL FUND BALANCES

\$ 1,169,967

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is \$28,017,909
Accumulated depreciation is (9,203,062)
18,814,847

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	14,270,000
Bus notes payable	64,229
School Bond Loan Fund	341,730
Limited obligation bond - Durant	28,940
Compensated absences	277,054
Accrued interest payable on Long-term Obligations	<u>93,936</u>
	(15,075,889)

Certain transactions related to the advance refunding of the 2001 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements.

The transactions include the following:

Bond issue costs	430,000
Less: Accumulated amortization	<u>(40,952)</u>
	389,048
Premium on bond refunding	(4,571)
Less: Accumulated amortization	<u>436</u>
	(4,135)

NET ASSETS - GOVERNMENTAL ACTIVITIES

\$ 5,293,840

The accompanying notes are an integral part of the financial statements.

UNIONVILLE-SEBEWAING AREA SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL	DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE:				
Local sources:				
Taxes	\$ 634,668	\$ 1,196,710	\$	\$ 1,831,378
Food service			174,303	174,303
Athletics			77,822	77,822
Special education billback	24,764			24,764
Sale of fixed assets	2,041			2,041
Other local revenue	105,891	10,706	183	116,780
State sources:				
State school aid-Restricted	246,858		29,992	276,850
Other state aid revenue	5,606,073			5,606,073
Federal sources	373,242		149,889	523,131
TOTAL REVENUE	<u>6,993,538</u>	<u>1,207,416</u>	<u>432,188</u>	<u>8,633,142</u>
EXPENDITURES:				
Current:				
Education:				
Instruction	4,270,631			4,270,631
Supporting services	2,599,098			2,599,098
Food service			363,123	363,123
Athletics			242,651	242,651
Capital projects			5,665	5,665
Debt service:				
Principal repayment	18,586	670,000		688,586
Interest and fiscal charges	45,932	583,523		629,455
TOTAL EXPENDITURES	<u>6,934,246</u>	<u>1,253,523</u>	<u>611,439</u>	<u>8,799,208</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>59,292</u>	<u>(46,107)</u>	<u>(179,251)</u>	<u>(166,066)</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from bus loan	64,229			64,229
School bond loan proceeds		112,616		112,616
Operating transfer from capital projects	4,876		(4,876)	-
Operating transfers to other funds	(160,148)		160,148	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(91,042)</u>	<u>112,616</u>	<u>155,272</u>	<u>176,845</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(31,751)</u>	<u>66,509</u>	<u>(23,979)</u>	<u>10,779</u>
FUND BALANCE - JULY 1	835,194	186,330	137,664	1,159,188
FUND BALANCE - JUNE 30	<u>\$ 803,443</u>	<u>\$ 252,839</u>	<u>\$ 113,685</u>	<u>\$ 1,169,967</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 10,779

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Depreciation Expense	\$ (630,152)	
Capital Outlays	<u>75,500</u>	(554,652)

Property taxes receivable will not be collected for several months after the end of the District's fiscal year, therefore, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.

Taxes receivable - beginning of year	9,653	
Taxes receivable - end of year	<u>-</u>	(9,653)

In the statement of activities special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Retirement incentives - beginning of year	50,000	
Retirement incentives - end of year	<u>-</u>	50,000

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 670,000

Certain transactions related to the advance refunding of the 2001 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements. The transactions include the following:

Amortization of bond premium	218	
Amortization of bond issuance costs	<u>(20,476)</u>	(20,258)

Bus note repayments and proceeds affect long term liabilities in the statement of net assets and does not affect the statement of activities.

Proceeds from bus note	(64,229)	
Repayment of bus note principal	<u>18,583</u>	(45,646)

Proceeds from School Bond Loan Fund affect long term liabilities in the statement of net assets and do not affect the statement of activities. Interest of \$14,110 is added to the principal. (126,725)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable - beginning of year	97,643	
Accrued interest payable - end of year	<u>(93,936)</u>	3,708

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued compensated absences - beginning of year	309,035	
Accrued compensated absences - end of year	<u>(277,054)</u>	31,981

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 9,534

UNIONVILLE-SEBEWAING AREA SCHOOLS

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and equivalents	\$ 27,621
TOTAL ASSETS	<u>\$ 27,621</u>
LIABILITIES:	
Due to student groups	\$ 27,621
TOTAL LIABILITIES	<u>\$ 27,621</u>

The accompanying notes are an integral
part of the financial statements.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Unionville-Sebewaing Area School District is a consolidated school system located in Huron and Tuscola Counties, Michigan. The School has approximately 889 students in grades kindergarten through twelve. The school operates under a seven person elected Board of Education.

The basic financial statements of the Unionville-Sebewaing Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

The Reporting Entity:

The Unionville-Sebewaing Area Schools (the "District") is governed by the Unionville-Sebewaing Area Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. State Foundation Aid, taxes, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government-Wide and Fund Financial Statements: (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, state sources, intermediate district sources, interest income and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

General Fund - This fund type is used to account for all financial transactions except those required to be accounted for in another fund. Revenue is derived primarily from property taxes and State and Federal distributions, grants and other intergovernmental revenue.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Non-major Funds:

Capital Projects Fund – The Capital Projects Fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The combined Special Revenue Fund financial statements include the Food Service and Athletic Service Funds.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Other Non-major Funds: (Continued)

Fiduciary Fund – This fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

Agency Fund - This fund accounts for assets held in trust or as an agency for others. The District's Agency Fund is the Student Activity Fund.

Measurement Focus, Basis of Accounting, and Basis of Presentation

Accrual Method:

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as does the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation: (Continued)

State Revenue: (Continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Other Accounting Policies:

Cash and Equivalents:

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Property Taxes:

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 15 and February 15, after which time the taxes become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the School District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-homestead	18.0
Debt service fund – Homestead and non-homestead	7.0

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets:

The District's capitalization policy is to capitalize assets with an initial individual cost of \$3,000 or more. Group purchases are evaluated on a case by case basis.

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Other Accounting Policies: (Continued)

Capital Assets: (Continued)

<u>Assets</u>	<u>Years</u>
Buildings and additions	50
Furniture and other equipment	5-20

Compensated Absences:

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

Long-Term Debt:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (CONTINUED)

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to July 1, the budget is legally enacted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

NOTE 3 – DEPOSITS AND INVESTMENTS:

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets

Government-wide Financial Statement Captions:

Cash and deposits	\$ 685,441
Certificates of deposits	56,378
Investments	1,243,962

Statement of Fiduciary Net Assets

Cash and cash equivalents	27,621
Total	<u>\$2,013,402</u>

Notes to Financial Statements:

Deposits	\$ 769,094
Cash on hand	346
Investments	1,243,962
Total	<u>\$2,013,402</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 -- DEPOSITS AND INVESTMENTS: (CONTINUED)

As of June 30, 2007, the District had the following investments.

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>STANDARD & POOR'S RATING</u>	<u>%</u>
MILAF External Investment pool-MIMAX	<u>\$1,243,962</u>	0.0027	AAAm	<u>100%</u>
Total fair value	<u>\$1,243,962</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$565,647 of the District's bank balance of \$822,025 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the totals above are certificates of deposit of \$56,379 and other interest bearing deposits.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$1,621	\$1,968
Special Revenue Fund:		
Food Service		1,621
Debt Retirement Fund	1,968	
Total	<u>\$3,589</u>	<u>\$3,589</u>

NOTE 5 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2007</u>
Capital Assets:				
Land	\$ 491,700			\$ 491,700
Buildings and Additions	23,942,890			23,942,890
Site Improvements	1,516,920			1,516,920
Equipment and Fixtures	1,298,958	\$11,271		1,310,229
Vehicles other than Buses	61,777			61,777
School Buses	669,774	64,229	\$39,610	694,393
Total Capital Assets	<u>27,982,019</u>	<u>75,500</u>	<u>39,610</u>	<u>28,017,909</u>

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 5 – CAPITAL ASSETS: (CONTINUED)

	<u>BALANCE JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2007</u>
Accumulated Depreciation:				
Buildings and Additions	6,629,963	431,594		7,061,557
Site Improvements	635,820	51,829		687,649
Equipment & Fixtures	757,265	107,624		864,889
Vehicles other than Buses	35,032	2,896		37,928
School Buses	<u>554,440</u>	<u>39,209</u>	<u>39,610</u>	<u>551,039</u>
Total Accumulated Depreciation	8,612,520	630,152	39,610	9,203,062
Capital Assets-Net	<u>\$19,369,499</u>	<u>\$(554,652)</u>	<u>\$ -</u>	<u>\$18,814,847</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$331,717
Support Services	262,347
Food Service	5,123
Athletics	2,122
Depreciation – Unallocated	<u>28,843</u>
Total Depreciation Expense	<u>\$630,152</u>

NOTE 6 –DEFERRED REVENUE

Deferred revenue reported in the governmental funds at year end consisted of the following:

	<u>GENERAL FUND</u>
At Risk Grant	\$34,586
Insurance claim - Bus	32,798
Drug-free schools	1,285
Preschool Grant	<u>10,547</u>
Total Deferred Revenue	<u>\$79,215</u>

NOTE 7 – NOTE PAYABLE:

At June 30, 2007, the District has outstanding a \$1,200,000 revenue note (state-aid note). The note, which has an interest rate of 3.68%, matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

<u>BALANCE JUNE 30, 2006</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE JUNE 30, 2007</u>
\$900,000	\$1,200,000	\$900,000	\$1,200,000

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 8 – LONG-TERM DEBT AND LOANS PAYABLE:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2001 general obligation bonds due in annual installments of \$275,000 through May 1, 2012 with interest at 4.00% to 5.00%.	\$1,375,000
--	-------------

2003 general obligation refunding bonds due in annual installments of \$370,000 to \$540,000 through May 1, 2016 with interest at 2.00% to 3.75%.	4,375,000
---	-----------

2006 general obligation refunding bonds due in annual installments of \$25,000 to \$615,000 through May 1, 2027 with interest at 3.3% to 4.25%.	8,520,000
---	-----------

Total general obligation bonds	14,270,000
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1998 limited obligation bonds (Durant bonds) due in annual installments of \$3,442 to \$5,917 through May 1, 2016 with interest at 4.76%. Certain state aid payments have been pledged as security.	28,940
---	--------

Borrowings from the State of Michigan under the school bond loan fund and school loan revolving fund, including interest	341,730
--	---------

Bus contracts at June 30, 2007 are comprised of the following items:

\$64,229 November 14, 2006, bus contract due in equal annual principal installments of \$21,410 through November 14, 2009. Interest at 4.75%.	64,229
---	--------

Obligation under contract for compensated absences	277,054
--	---------

Total general long-term debt	<u>\$14,981,953</u>
-------------------------------------	----------------------------

The annual requirements to amortize the long-term obligations as of June 30, 2007, including interest of \$5,647,670 are as follows:

Year ending June 30,	Total
2008	\$ 1,284,231
2009	1,288,543
2010	1,292,167
2011	1,279,606
2012	1,287,479
2013-2017	5,187,446

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 8 – LONG-TERM DEBT AND LOANS PAYABLE: (CONTINUED)

Year ending <u>June 30,</u>	<u>Total</u>
2018-2022	4,166,467
2023-2027	<u>4,197,887</u>
	19,983,826

Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	341,730
---	---------

Obligation under contract for compensated absences	277,054
--	---------

Total general long-term debt and interest	<u>\$20,602,610</u>
--	----------------------------

An amount of \$252,839 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2007 was \$629,455. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

The following is a summary of the changes in the long-term liabilities during the year ended June 30, 2007:

	<u>BALANCE JUNE 30, 2006</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE JUNE 30, 2007</u>	<u>DUE WITHIN ONE YEAR</u>
General obligation bonds	\$14,940,000		\$670,000	\$14,270,000	\$700,000
Limited obligation bonds	28,940			28,940	
School bond loan fund	215,004	\$126,726		341,730	
Compensated absences	309,035		31,981	277,054	79,420
Accrued early retirement incentives	50,000		50,000		
Bus contracts	<u>18,583</u>	<u>64,229</u>	<u>18,583</u>	<u>64,229</u>	<u>21,410</u>
Totals	<u>\$15,561,562</u>	<u>\$190,955</u>	<u>\$770,564</u>	<u>\$14,981,953</u>	<u>\$800,830</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the year ended June 30, 2007, the rate was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of the plan members and the District are established and may be amended by the MPERS Board of Trustee. The District contributions to MPERS for the years ended June 30, 2007, 2006 and 2005 were approximately \$701,221, \$659,911 and \$570,255, respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

UNIONVILLE-SEBEWAING AREA SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 10 – OPERATING LEASES:

The School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the unpaid balances of the lease agreements are not reflected in the School District's long-term debt.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2007.

Years ending June 30,	Amounts
2008	\$23,112
2009	23,112
2010	23,112
2011	<u>21,186</u>
Total minimum payments required	<u>\$90,522</u>

NOTE 11 – RISK MANAGEMENT:

General Liability

The School District participates in the MASB-SEG Property/Casualty Pool, Inc. for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses with a limit of \$2 million per occurrence for real and personal property losses and for personal injury. For automotive liability, the pool constitutes transfer of the risk with a limit of \$2 million for bodily injury and property damage combined. For errors and omissions liability there is a limit of \$2 million in the aggregate. The School District is required to pay an annual premium to the MASB-SEG Property/Casualty Pool, Inc. for the liability coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation

The School District is insured through SEG Workers Compensation Disability Compensation for losses related to workers' compensation claims.

Employee Health Care

The School District uses MESSA-PAK and SET-SEG for health insurance coverage for its employees and their dependents.

NOTE 12 – INTERFUND TRANSFERS:

During the year ended June 30, 2007, the general fund transferred \$160,148 to the athletic fund to cover wages and employee benefits. During the year ended June 30, 2007 the capital projects fund was closed and transferred the balance of \$4,876 to the general fund, the amount will be used to upgrade security in the school.

UNIONVILLE-SEBEWAING AREA SCHOOLS

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 13 – SUBSEQUENT EVENTS:

Subsequent to year-end, the District entered into an agreement to borrow \$1,400,000 in a State aid note bearing interest at 3.68% and maturing August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

NOTE 14 – PRIOR PERIOD ADJUSTMENT:

The statement of activities includes a prior period adjustment. The adjustment corrects the balance of accumulated depreciation, therefore there is an increase to net assets of \$63,691.

**REQUIRED SUPPLEMENTARY
INFORMATION**

UNIONVILLE-SEBEWAING AREA SCHOOLS

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
REVENUE:	<u>ORIGINAL</u>	<u>FINAL</u>		
Local sources:				
Taxes	\$ 584,000	\$ 630,000	\$ 634,668	\$ 4,668
Special education billback	25,000	25,000	24,764	(236)
Sale of fixed assets		2,041	2,041	-
Other local revenue	65,712	95,712	105,891	10,179
State sources:				
State school aid-Restricted	254,427	263,327	246,858	(16,469)
Other state aid revenue	5,631,000	5,606,870	5,606,073	(797)
Federal sources	405,694	398,238	373,242	(24,996)
TOTAL REVENUE	<u>6,965,833</u>	<u>7,021,188</u>	<u>6,993,538</u>	<u>(27,650)</u>
EXPENDITURES:				
Current:				
Education:				
Instruction	4,399,698	4,358,371	4,270,631	87,740
Supporting services	2,555,284	2,741,721	2,599,098	142,623
Debt service:				
Principal repayment	18,585	18,590	18,586	4
Interest and fiscal charges	40,645	46,645	45,932	713
TOTAL EXPENDITURES	<u>7,014,212</u>	<u>7,165,327</u>	<u>6,934,246</u>	<u>231,081</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(48,379)</u>	<u>(144,139)</u>	<u>59,292</u>	<u>203,431</u>
OTHER FINANCING SOURCES (USES):				
Bus note proceeds		64,229	64,229	
Operating transfers in from other funds		4,880	4,876	(4)
Operating transfers to other funds	(173,260)	(173,260)	(160,148)	13,112
TOTAL OTHER FINANCING (USES)	<u>(173,260)</u>	<u>(104,151)</u>	<u>(91,043)</u>	<u>13,108</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES	<u>(221,639)</u>	<u>(248,290)</u>	<u>(31,751)</u>	<u>216,539</u>
FUND BALANCE - JULY 1	835,194	835,194	835,194	
FUND BALANCE - JUNE 30	<u>\$ 613,555</u>	<u>\$ 586,904</u>	<u>\$ 803,443</u>	<u>\$ 216,539</u>

**ADDITIONAL
INFORMATION**

UNIONVILLE-SEBEWAING AREA SCHOOLS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

	<u>FOOD SERVICE</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 51,787	\$ 11,259	\$ 63,046
Certificates of deposit	56,378		56,378
Accounts receivable		<u>2,214</u>	<u>2,214</u>
TOTAL ASSETS	<u>\$ 108,165</u>	<u>\$ 13,473</u>	<u>\$ 121,638</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Due to other funds	\$ 1,621		\$ 1,621
Prepaid meals	<u>6,332</u>		<u>6,332</u>
TOTAL LIABILITIES	<u>7,953</u>		<u>7,953</u>
 FUND BALANCE	 100,212	 \$ 13,473	 113,685
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 108,165</u>	 <u>\$ 13,473</u>	 <u>\$ 121,638</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>FOOD SERVICE</u>	<u>ATHLETIC ACTIVITIES</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUE:				
Local sources:				
Sale of meals	\$ 148,358			\$ 148,358
Miscellaneous & donations	23,484	\$ 12,892		36,376
Admissions and entry fees		64,762		64,762
Earnings on investments	<u>2,461</u>	<u>168</u>	<u>\$ 183</u>	<u>2,812</u>
Total local sources	174,303	77,822	183	252,308
State sources	29,992			29,992
Federal sources:				
Reimbursements	127,363			127,363
Commodities	<u>22,525</u>			<u>22,525</u>
TOTAL REVENUE	<u>354,183</u>	<u>77,822</u>	<u>183</u>	<u>432,188</u>
EXPENDITURES:				
Food	153,011			153,011
Salaries and wages	128,041	110,683		238,724
Employee benefits	44,649	30,036		74,685
Officials		21,475		21,475
Conferences & Workshops		2,861		2,861
Supplies	8,482	27,115		35,597
Repairs	10,963			10,963
Transportation	443	20,852		21,295
Miscellaneous	12,077	17,311		29,388
Capital outlay	<u>5,457</u>	<u>12,318</u>	<u>5,665</u>	<u>23,439</u>
TOTAL EXPENDITURES	<u>363,123</u>	<u>242,651</u>	<u>5,665</u>	<u>611,439</u>
EXCESS OF REVENUE (UNDER)				
EXPENDITURES	<u>(8,940)</u>	<u>(164,829)</u>	<u>(5,482)</u>	<u>(179,251)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer from other funds		160,148	(4,876)	155,272
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	<u>(8,940)</u>	<u>(4,681)</u>	<u>(10,358)</u>	<u>(23,979)</u>
FUND BALANCE - JULY 1	109,152	18,154	10,358	137,664
FUND BALANCE - JUNE 30	<u>\$ 100,212</u>	<u>\$ 13,473</u>	<u>\$ -</u>	<u>\$ 113,685</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

STUDENT ACTIVITY FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2007

	FUND BALANCE JULY 1, 2006	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2007
HIGH SCHOOL:				
Class of 2006	\$ 984		\$ 984	
Class of 2007	1,050	\$ 5,758	4,671	\$ 2,137
Class of 2008	821	2,318	2,517	622
Class of 2009	385	1,631	732	1,284
Class of 2010		200		200
Baseball	139	188		327
Cheerleaders	320			320
FCCLA	402		200	202
FFA	4,543	16,684	20,849	378
Flower fund	1,259	122	394	987
Football lift-a-thon	2,500	2,083	3,648	935
Foreign language	637	8,252	8,738	151
Girl's basketball	2,297	1,955	2,590	1,662
Guidance fund	2,906	444	2,115	1,235
Drama	719	707	1,143	283
National Honor Society	400	3,228	3,336	292
PEII	725	49	275	499
Photography	20	1,121	970	171
PHP	2,617	2,679	3,683	1,613
Physics	25			25
Piano	1,526	4,605	2,550	3,581
Pop	3,738	6,249	8,929	1,058
Softball	107	1,565	1,543	129
Soccer	128			128
Technology	308			308
Wrestling	170			170
Yearbook	4,034	11,819	14,816	1,037
TOTAL HIGH SCHOOL	<u>32,760</u>	<u>71,657</u>	<u>84,683</u>	<u>19,734</u>
MIDDLE SCHOOL:				
Class of 2010	5,789		5,789	
Class of 2011	1,362	28,843	30,205	
Class of 2012	546	2,045		2,591
Class of 2013		576		576
Activity fund	2,829	3,321	4,868	1,282
Fifth grade camp	1,486	9,642	10,375	753
Flower and pop fund	1,291	531	175	1,647
Fundraiser	912	13,681	13,588	1,005
Yearbook	33			33
TOTAL MIDDLE SCHOOL	<u>14,248</u>	<u>58,639</u>	<u>65,000</u>	<u>7,887</u>
TOTALS	<u>\$47,008</u>	<u>\$ 130,296</u>	<u>\$ 149,683</u>	<u>\$27,621</u>

UNIONVILLE-SEBEY-AING AREA SCHOOLS

COMPARATIVE SCHEDULE OF GENERAL FUND REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE FOR THE YEARS ENDED JUNE 30,

	<u>2007</u>		<u>2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</u>	
REVENUE:										
Local sources	\$ 767,364	10.9 %	\$ 691,866	10.1 %	\$ 782,235	11.6 %	\$ 656,128	9.8 %	\$ 624,531	9.1 %
State sources	5,852,931	82.9	5,798,136	84.3	5,572,555	82.7	5,632,285	84.5	5,787,898	84.8
Federal sources	373,242	5.3	385,773	5.6	381,434	5.7	319,279	4.8	196,077	2.9
Other sources	69,105	1.0	-	-	-	-	55,748	0.1	220,257	3.2
TOTAL REVENUE	7,062,643	100.0 %	6,875,775	100.0 %	6,736,224	100.0 %	6,663,440	100.0 %	6,828,763	100.0 %
EXPENDITURES:										
Instruction:										
Basic programs:										
Elementary	1,332,685	18.8 %	1,312,686	18.4 %	1,251,892	18.8 %	1,192,541	17.9 %	1,059,469	15.5 %
Middle School	951,479	13.4	1,007,015	14.1	881,494	13.3	1,002,911	15.1	1,062,552	15.6
High School	1,244,743	17.5	1,316,680	18.5	1,182,194	17.8	1,117,330	16.8	1,134,090	16.6
Added needs:										
Special education	296,028	4.2	308,049	4.3	290,027	4.4	342,118	5.1	335,548	4.9
Vocational education	53,100	0.7	84,514	1.2	82,819	1.2	90,796	1.4	87,783	1.3
Compensatory education	289,567	4.1	308,395	4.3	293,724	4.4	254,928	3.8	149,786	2.2
At risk	92,574	1.3	107,298	1.5	111,027	1.7	110,843	1.7	117,856	1.7
Career pathways									30,509	0.4
Other added needs	10,455	0.1	11,826	0.2	24,893	0.4	25,942	0.4	32,264	0.5
Total instruction	4,270,631	60.1	4,456,463	62.5	4,118,070	62.0	4,137,408	62.2	4,009,857	58.7
Supporting services:										
Pupil services										
Instruction	167,209	2.4	169,314	2.4	168,243	2.5	160,626	2.4	226,747	3.3
General administration	121,636	1.7	99,318	1.4	102,222	1.5	98,793	1.5	144,132	2.1
School administration	233,028	3.3	229,194	3.2	208,485	3.1	203,751	3.1	227,218	3.3
Business administration:	510,625	7.2	442,457	6.2	466,954	7.0	438,949	6.6	420,094	6.2
Fiscal services	132,934	1.9	125,576	1.8	148,476	2.2	114,442	1.7	115,590	1.7
Technology support	160,337	2.3	190,995	2.7	135,254	2.0	129,638	1.9	119,931	1.8
Operations and maintenance	888,818	12.5	856,493	12.0	766,718	11.5	776,641	11.7	704,363	10.3
Pupil transportation	384,513	5.4	328,807	4.6	284,314	4.3	370,724	5.6	367,040	5.6
Total supporting services	2,599,098	36.6	2,442,154	34.2	2,280,666	34.3	2,293,563	34.5	2,325,115	34.3

UNIONVILLE-SEBALING AREA SCHOOLS

**COMPARATIVE SCHEDULE OF GENERAL FUND REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
EXPENDITURES: (CONTINUED)					
Debt service:					
Principal retirement	18,586	36,881	56,879	56,739	58,014
Interest and fiscal charges	45,932	31,639	32,213	20,915	28,851
Total debt service	<u>64,518</u>	<u>68,520</u>	<u>89,092</u>	<u>77,654</u>	<u>86,865</u>
Outgoing transfers	160,148	163,338	154,778	142,423	137,869
TOTAL EXPENDITURES	<u>7,094,394</u>	<u>7,130,475</u>	<u>6,642,606</u>	<u>6,651,048</u>	<u>6,559,706</u>
	<u>99.9</u>	<u>100.0</u>	<u>99.9</u>	<u>100.0</u>	<u>100.0</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(31,751)</u>	<u>(254,700)</u>	<u>93,617</u>	<u>12,392</u>	<u>269,057</u>
	<u>(0.4)</u>	<u>(3.7)</u>	<u>1.4</u>	<u>0.2</u>	<u>3.9</u>
FUND BALANCE - JULY 1	835,194	1,089,894	996,277	983,885	714,828
FUND BALANCE - JUNE 30	<u>\$ 803,443</u>	<u>\$ 835,194</u>	<u>\$ 1,089,894</u>	<u>\$ 996,277</u>	<u>\$ 983,885</u>

*Stated as a percentage of total revenue

UNIONVILLE-SEBEWAING AREA SCHOOLS**SCHEDULES OF GENERAL FUND REVENUE**

	YEARS ENDED	
	JUNE 30,	
	<u>2007</u>	<u>2006</u>
REVENUE FROM LOCAL SOURCES:		
Property tax:		
Current tax levy	\$ 627,938	\$ 568,185
Delinquent taxes	6,730	2,767
Tuition	5,155	5,200
Earnings on investments	57,746	44,307
Rentals	2,185	4,389
Head Start	22,072	22,072
Universal service fund	6,854	7,680
Special education billback	24,764	36,111
Sale of fixed assets	2,041	-
Miscellaneous	11,879	1,155
TOTAL REVENUE FROM LOCAL SOURCES	<u>767,364</u>	<u>691,866</u>
REVENUE FROM STATE SOURCES:		
State aid - Restricted	246,858	225,638
Other state aid revenue	5,606,073	5,572,499
TOTAL REVENUE FROM STATE SOURCES	<u>5,852,931</u>	<u>5,798,136</u>
REVENUE FROM FEDERAL SOURCES:		
Federal aid, restricted-		
Homeland security grant		3,856
Received through the State:		
Title I grant	290,212	305,892
Title V grant	1,068	2,249
Title VI grant	25,528	8,637
Title II, Part A -Tech. Literacy Challenge	2,885	5,817
Title II, Part D -Improving Teacher Quality	50,711	52,819
Received through ISD:		
Vocational Educ. Technology Prep.	2,000	3,236
Safe & Drug-free Schools & Communities	838	3,267
TOTAL REVENUE FROM FEDERAL SOURCES	<u>373,242</u>	<u>385,773</u>
OTHER FINANCING SOURCES:		
Bus note proceeds	64,229	
Transfer from other funds	4,876	
TOTAL OTHER FINANCING SOURCES	<u>69,105</u>	
TOTAL REVENUE AND OTHER		
FINANCING SOURCES	<u>\$ 7,062,643</u>	<u>\$ 6,875,775</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
INSTRUCTION:		
Basic programs:		
Preschool:		
Teacher salaries	\$ 20,790	\$ 19,343
Substitute teacher salaries	46	
Employee benefits	10,643	10,066
Local travel	122	94
Workshops and conferences	508	
Teaching supplies	943	893
Total preschool	<u>33,052</u>	<u>30,396</u>
Elementary:		
Teacher salaries	779,593	777,461
Teacher aide salaries	40,206	39,154
Substitute teacher salaries	11,358	26,924
Employee benefits	427,697	399,067
Unemployment compensation	8	4,592
Local travel	795	764
Workshops and conferences	1,574	2,938
Purchased services	1,440	1,286
Textbooks	71	
Teaching supplies and materials	35,596	28,451
Miscellaneous supplies	1,295	1,653
Total elementary	<u>1,299,633</u>	<u>1,282,290</u>
Middle school:		
Teacher salaries	575,327	635,706
Teacher aide salaries	11,937	630
Substitute teacher salaries	21,205	6,724
Other nonathletic salaries	14,967	15,437
Employee benefits	310,459	322,741
Workshops and conferences	615	34
Purchased services	1,033	1,203
Teaching supplies and materials	11,705	18,842
Textbooks	1,528	2,163
Miscellaneous supplies	2,702	3,535
Total middle school	<u>951,479</u>	<u>1,007,015</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
INSTRUCTION: (CONTINUED)		
Basic programs: (CONTINUED)		
High school:		
Teacher salaries	756,172	820,606
Teacher aide salaries	1,071	2,665
Substitute teacher salaries	15,828	16,007
Other nonathletic salaries	27,841	27,466
Employee benefits	379,258	396,356
Tuition	26,325	16,639
Workshops and conferences	1,378	2,911
Purchased services	4,701	4,246
Teaching supplies and materials	22,187	20,126
Textbooks	5,500	5,067
Miscellaneous supplies	4,480	4,591
Total high school	<u>1,244,743</u>	<u>1,316,680</u>
Added needs:		
Special education:		
Teacher salaries	169,311	175,040
Teacher aide salaries	23,917	28,514
Substitute teacher salaries	4,157	3,665
Employee benefits	98,643	100,830
Total special education	<u>296,028</u>	<u>308,049</u>
Vocational education:		
Teacher salaries	31,797	57,739
Substitute teacher salaries	1,203	1,071
Employee benefits	18,895	23,095
Local travel	-	693
Workshops and conferences	601	312
Teaching supplies and materials	604	1,604
Total vocational education	<u>53,100</u>	<u>84,514</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
INSTRUCTION: (CONTINUED)		
Added needs: (Continued)		
Compensatory education:		
Teacher salaries	145,860	156,594
Teacher aide salaries	38,290	38,041
Substitute teacher salaries	974	578
Employee benefits	78,515	90,238
Administration	-	6,000
Local travel and conferences	1,582	7,571
Audit fees	750	750
Supplies and materials	22,528	6,363
Title V expenditures	1,068	2,260
Total compensatory education	<u>289,567</u>	<u>308,395</u>
At risk education:		
Teacher salaries	54,367	61,815
Teacher aide salaries	1,500	12,188
Substitute teacher salaries	-	26
Employee benefits	23,963	28,460
Teaching supplies	10,955	3,097
Miscellaneous expense	1,790	1,710
Total at risk education	<u>92,574</u>	<u>107,298</u>
Driver education:		
Teacher salaries	-	245
Employee benefits	-	82
Auto insurance	-	100
Teaching supplies and materials	-	855
Total driver education	<u>-</u>	<u>1,282</u>
Band:		
Clinician fees	1,995	2,000
Teaching supplies (M.S.)	1,019	742
Teaching supplies (H.S.)	2,027	2,313
Awards (M.S.)	280	168
Awards (H.S.)	728	748
Entry Fees (M.S.)	361	560
Entry Fees (H.S.)	416	270
Instruments	2,167	2,427
Instrument repairs	1,461	1,316
Total band	<u>10,455</u>	<u>10,544</u>
TOTAL INSTRUCTION	<u>4,270,631</u>	<u>4,456,463</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES:		
Pupil services:		
Guidance services:		
Guidance counselor salaries	35,190	49,868
Secretarial salaries	36,604	34,750
Employee benefits	48,176	48,655
Workshops and conferences	825	646
Testing supplies	654	1,513
Office supplies	1,142	1,020
Total guidance services	<u>122,591</u>	<u>136,452</u>
Health services:		
Medicine and drugs	-	125
Crossing guards:		
Crossing guard salaries	1,541	1,209
Employee benefits	813	573
Total crossing guards	<u>2,354</u>	<u>1,782</u>
Community Education:		
Director salary	30,336	25,000
Employee benefits	11,928	5,955
Total community education	<u>42,264</u>	<u>30,955</u>
Instruction:		
Library:		
Librarian salaries	53,810	24,786
Library aide salaries	21,028	26,723
Employee benefits	29,870	17,624
Library books	4,950	4,990
Periodicals	1,766	1,866
Library supplies	1,358	1,373
Total library	<u>112,782</u>	<u>77,362</u>
Audiovisual:		
Audiovisual aide salaries	-	7,682
Employee benefits	-	4,652
Repair of equipment	-	205
Supplies	8,854	9,417
Total audiovisual	<u>8,854</u>	<u>21,956</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES: (CONTINUED)		
General administration:		
Board of education:		
Board salaries	4,130	4,130
Legal fees	8,046	9,185
Auditing and accounting services	7,000	6,870
Workshops and conferences	3,886	2,000
Marketing	15,997	11,085
Insurance and bonds	3,921	4,558
Election expense	324	1,846
Miscellaneous supplies	7,834	11,041
Dues and fees	2,240	2,066
Total board of education	<u>53,379</u>	<u>52,781</u>
Executive administration:		
Superintendent salary	92,775	91,000
Secretarial salaries	20,549	21,107
Employee benefits	47,637	45,022
Workshops and conferences	242	2,099
North Central accreditation	9,082	8,226
Office supplies	1,161	1,991
Miscellaneous supplies	7,239	5,870
Dues and fees	964	1,097
Total executive administration	<u>179,649</u>	<u>176,413</u>
School administration:		
Principal salaries	252,869	202,806
Secretarial salaries	77,901	76,481
Employee benefits	172,970	153,855
Local travel	2,827	3,278
Workshops and conferences	500	1,494
Office supplies	2,233	3,219
Dues and fees	1,324	1,323
Total school administration	<u>510,625</u>	<u>442,457</u>
Business administration:		
Fiscal services:		
Accounting salaries	83,596	80,526
Employee benefits	35,386	32,870
Legal fees	7,220	6,712
Abated taxes	1,000	
Local travel	-	24
Workshops and conferences	110	75
Advertising	643	679
Office supplies	4,854	4,551
Dues and fees	124	138
Total fiscal services	<u>132,934</u>	<u>125,576</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES: (CONTINUED)		
Business administration: (Continued)		
Technology support:		
Technology salaries	43,335	46,230
Technology aide	17,057	16,819
Employee benefits	36,737	34,521
Contracts	13,987	
Repairs	4,445	6,223
Supplies	26,242	40,986
Capital outlay	18,534	46,217
Total technology support	<u>160,337</u>	<u>190,995</u>
Operation and maintenance of plant:		
Custodian salaries	251,417	242,460
Employee benefits	143,469	128,239
Workshops	355	438
Telephone	14,534	13,730
Heating fuel	113,761	102,606
Electricity	210,112	212,710
Water and sewage	17,315	13,426
Waste and trash disposal	1,664	2,083
Insurance-Public liability	9,442	10,657
Insurance-Building	14,233	13,246
Repairs-Land and buildings	21,396	21,101
Repairs-Equipment	2,429	3,769
Grounds-Mower	2,536	1,802
Purchased services - Buildings	47,244	56,179
Purchased services - Equipment	12,281	7,555
Custodial supplies	26,630	26,222
Capital outlay	-	269
Total operation and maintenance of plant	<u>888,818</u>	<u>856,493</u>
Pupil transportation:		
Transportation supervisor salary	5,132	5,093
Bus mechanic salary	35,044	34,753
Bus driver salaries	109,242	109,569
Special run salaries	1,839	3,496
Secretarial salaries	12,918	12,254
Transportation aide salaries	10,720	10,403
Employee benefits	69,674	67,935
Workshops	45	380
Bus driver physicals	837	886
Local travel	34	(640)
Heating fuel and electricity	8,549	7,427
Insurance	4,779	5,192
Repairs and maintenance	2,702	1,338

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
SUPPORTING SERVICES: (CONTINUED)		
Pupil transportation: (Continued)		
Gasoline	36,681	41,312
Oil & Grease	2,357	2,294
Tires	4,270	7,850
Vehicle repair parts	13,939	16,820
Other supplies	1,396	1,721
Dues and fees	125	110
Capital outlay	64,229	614
Total pupil transportation	<u>384,513</u>	<u>328,807</u>
TOTAL SUPPORTING SERVICES	<u>2,599,098</u>	<u>2,442,154</u>
DEBT SERVICE:		
Principal retirement:		
Bus contracts	18,586	36,881
Total principal retirement	<u>18,586</u>	<u>36,881</u>
Interest and fiscal charges:		
Bus contracts	639	1,887
Tax anticipation notes	45,293	29,752
Total interest and fiscal charges	<u>45,932</u>	<u>31,639</u>
TOTAL DEBT SERVICE	<u>64,518</u>	<u>68,520</u>
TOTAL EXPENDITURES	<u>6,934,246</u>	<u>6,967,137</u>
OTHER FINANCING USES:		
Operating transfers to other funds	160,148	163,338
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 7,094,394</u>	<u>\$ 7,130,475</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

**STUDENT ACTIVITY FUND - BOARD CONTROLLED ACCOUNTS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>NET RECEIPTS (DISBURSEMENTS)</u>
HIGH SCHOOL:			
Band	\$ 8,241	\$ 7,596	\$ 645
Choir	10,481	10,420	61
Education development	434	1,019	(585)
Industrial arts	418	430	(12)
Interest	66		66
Library	89	156	(67)
Office	1,310	1,460	(150)
Student council	3,583	2,199	1,384
TOTAL HIGH SCHOOL	<u>24,622</u>	<u>23,280</u>	<u>1,342</u>
MIDDLE SCHOOL:			
Book	43		43
Teacher appreciation	300	295	5
Interest	32		32
Library	2,643	3,125	(482)
Locks	405	300	105
Office	300	300	-
Student council	1,322	1,791	(469)
Special Education	1,694	1,800	(106)
TOTAL MIDDLE SCHOOL	<u>6,739</u>	<u>7,611</u>	<u>(872)</u>
ELEMENTARY:			
Activity	102,683	93,871	8,812
TOTALS	<u>\$ 134,044</u>	<u>\$ 124,762</u>	<u>\$ 9,282</u>

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS ISSUE DATED NOVEMBER 1, 2001 AT JUNE 30, 2007

<u>MATURITY DATE</u>	<u>PRINCIPAL</u>	<u>RATE</u>	<u>INTEREST AMOUNT</u>	<u>TOTAL</u>
11/1/2006			\$ 39,875	\$ 39,875
Current year payment			(39,875)	(39,875)
5/1/2007	\$ 275,000	5.00%	39,875	314,875
Current year payment	(275,000)		(39,875)	(314,875)
11/1/2007			33,000	33,000
5/1/2008	275,000	5.00%	33,000	308,000
11/1/2008			26,125	26,125
5/1/2009	275,000	5.00%	26,125	301,125
11/1/2009			19,250	19,250
5/1/2010	275,000	5.00%	19,250	294,250
11/1/2010			12,375	12,375
5/1/2011	275,000	5.00%	12,375	287,375
11/1/2011			5,500	5,500
5/1/2012	275,000	4.00%	5,500	280,500
	<u>\$ 1,375,000</u>		<u>\$ 192,500</u>	<u>\$ 1,567,500</u>

Bonds in the amount of \$11,000,000 were issued to defray the cost of erecting, furnishing and equipping a new elementary school, constructing and equipping a physical education/athletic field and playground, and acquiring, developing and improving a site therefore; erecting, furnishing and equipping an addition to and partially remodeling the high school for a new auditorium; acquiring, installing, and equipping technology for the new elementary school and the new auditorium; and developing and improving the sites. In 2006, \$8,520,000 in bonds were refunded.

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS 2003 REFUNDING BONDS ISSUE DATED MARCH 24, 2003 AT JUNE 30, 2007

<u>MATURITY</u> <u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
11/1/2006			\$ 80,504	\$ 80,504
Current year payment			(80,504)	(80,504)
5/1/2007	\$ 370,000	2.38%	80,504	450,504
Current year payment	(370,000)		(80,504)	(450,504)
11/1/2007			76,111	76,111
5/1/2008	400,000	2.75%	76,111	476,111
11/1/2008			70,611	70,611
5/1/2009	425,000	3.13%	70,611	495,611
11/1/2009			63,970	63,970
5/1/2010	460,000	3.38%	63,970	523,970
11/1/2010			56,208	56,208
5/1/2011	500,000	3.50%	56,208	556,208
11/1/2011			47,458	47,458
5/1/2012	540,000	3.63%	47,457	587,457
11/1/2012			37,670	37,670
5/1/2013	530,000	3.75%	37,670	567,670
11/1/2013			27,733	27,733
5/1/2014	515,000	3.55%	27,733	542,733
11/1/2014			18,591	18,591
5/1/2015	505,000	3.65%	18,591	523,591
11/1/2015			9,375	9,375
5/1/2016	500,000	3.75%	9,375	509,375
	<u>\$ 4,375,000</u>		<u>\$ 815,453</u>	<u>\$ 5,190,453</u>

Total amount of original issue was \$5,700,000.

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS 2006 REFUNDING BONDS ISSUE DATED JANUARY 23, 2006 AT JUNE 30, 2007

<u>MATURITY</u> <u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
11/1/2006			\$ 171,186	\$ 171,186
Current year payment			(171,186)	(171,186)
5/1/2007	\$ 25,000	3.30%	171,186	196,186
Current year payment	(25,000)		(171,186)	(196,186)
11/1/2007			170,774	170,774
5/1/2008	25,000	3.35%	170,774	195,774
11/1/2008			170,355	170,355
5/1/2009	25,000	3.40%	170,355	195,355
11/1/2009			169,930	169,930
5/1/2010	25,000	3.45%	169,930	194,930
11/1/2010			169,499	169,499
5/1/2011	25,000	3.50%	169,499	194,499
11/1/2011			169,061	169,061
5/1/2012	25,000	3.75%	169,061	194,061
11/1/2012			168,593	168,593
5/1/2013	350,000	4.00%	168,593	518,593
11/1/2013			161,593	161,593
5/1/2014	400,000	4.00%	161,593	561,593
11/1/2014			153,593	153,593
5/1/2015	445,000	4.00%	153,593	598,593
11/1/2015			144,693	144,693
5/1/2016	485,000	4.00%	144,693	629,693
11/1/2016			134,993	134,993
5/1/2017	610,000	4.00%	134,993	744,993
11/1/2017			122,793	122,793
5/1/2018	610,000	4.00%	122,793	732,793
11/1/2018			110,593	110,593
5/1/2019	610,000	3.80%	110,593	720,593
11/1/2019			99,003	99,003
5/1/2020	610,000	3.80%	99,003	709,003
11/1/2020			87,413	87,413
5/1/2021	610,000	4.00%	87,413	697,413
11/1/2021			75,213	75,213
5/1/2022	610,000	4.00%	75,213	685,213
11/1/2022			63,013	63,013
5/1/2023	610,000	4.00%	63,013	673,013

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF BONDED INDEBTEDNESS

2006 REFUNDING BONDS

ISSUE DATED JANUARY 23, 2006 AT JUNE 30, 2007

MATURITY	INTEREST		
<u>DATE</u>	<u>PRINCIPAL</u>	<u>RATE</u>	<u>AMOUNT</u>
11/1/2023			50,813
5/1/2024	610,000	4.05%	50,813
11/1/2024			38,460
5/1/2025	610,000	4.13%	38,460
11/1/2025			25,879
5/1/2026	610,000	4.20%	25,879
11/1/2026			13,069
5/1/2027	615,000	4.25%	13,069
	<u>\$ 8,520,000</u>		<u>\$ 4,598,652</u>
			<u>\$ 13,118,652</u>

\$8,250,000 of 2001 Bonds were refunded as presented in above schedule.

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULE OF BORROWINGS-STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2007

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
2004	\$ 54,749	\$ 1,054	\$ 55,803	\$ 55,803
2005	101,513	3,836	105,349	161,152
2006	45,839	8,013	53,852	215,004
2007	112,616	14,110	126,726	341,730

UNIONVILLE-SEBEWAING AREA SCHOOLS
SCHEDULE OF BUS CONTRACTS PAYABLE

Bus contracts at June 30, 2007, are comprised of the following items:

November 14, 2006, bus contract due in equal annual principal installments of \$21,410 through November 13, 2009. Interest at 4.75%.	\$ 64,229
Total	<u><u>\$ 64,229</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Unionville-Sebewaing Area Schools
Sebewaing, Michigan 48759

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville-Sebewaing Area School District as of and for the year ended June 30, 2007, which collectively comprise Unionville-Sebewaing Area Schools basic financial statements and have issued our report thereon dated September 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unionville-Sebewaing Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unionville-Sebewaing Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unionville-Sebewaing Area School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Unionville-Sebewaing Area School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Unionville-Sebewaing Area School District's financial statements that is more than inconsequential will not be prevented or detected by Unionville-Sebewaing Area School District's internal control.

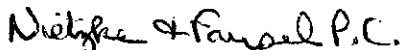
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Unionville-Sebewaing Area School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unionville-Sebewaing Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

September 20, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Unionville-Sebewaing Area Schools
Sebewaing, Michigan 48759

Compliance

We have audited the compliance of Unionville-Sebewaing Area Schools, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Unionville-Sebewaing Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Unionville-Sebewaing Area School's management. Our responsibility is to express an opinion on Unionville-Sebewaing Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unionville-Sebewaing Area School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Unionville-Sebewaing Area School's compliance with those requirements.

In our opinion, Unionville-Sebewaing Area Schools, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Unionville-Sebewaing Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Unionville-Sebewaing Area School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness on Unionville-Sebewaing Area School District's internal control over compliance.

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Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal program.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

September 20, 2007

UNIONVILLE-SEBEWAING AREA SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

There were no findings or questioned costs for the year ended June 30, 2006.

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report, expresses an unqualified opinion on the financial statements of Unionville-Sebewaing Area Schools.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of Unionville-Sebewaing Area Schools were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the major federal award programs for Unionville-Sebewaing Area Schools, expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
 - Child Nutrition Cluster Section 4 all lunches 10.555
 - Section 11 free & reduced 10.555
 - Breakfast 10.553
 - Entitlement Commodities 10.550
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Unionville-Sebewaing Area Schools qualifies as a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

1. None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>Deferred Revenue</u>
U.S. Department of Agriculture					
<i>Child Nutrition Cluster:</i>					
Passed Through MDE					
Section 4 All Lunches	10.555	\$ 23,462	\$ 23,462	\$ 23,462	
Section 11 Free & Reduced	10.555	81,467	81,467	81,467	
Total		104,929	104,929	104,929	
Breakfast	10.553	22,434	22,434	22,434	
Total Child Nutrition Cluster		127,363	127,363	127,363	
Entitlement Commodities	10.550	22,525	22,525	22,525	
Total Commodities		22,525	22,525	22,525	
Total Passed Through MDE		149,888	149,888	149,888	
Total U.S. Department of Agriculture		149,888	149,888	149,888	
L Department of Education					
Passed Through Michigan Dept. of Education					
Title I Part A Imp Basic Program					
061530-0607	84.010	12,543	12,543	12,543	
061530-0506	84.010	299,243	243	243	
071530-0607	84.010	282,221	277,426	277,426	
		594,007	290,212	290,212	
Title V LEA Allocation					
070250-0607	84.298	1,068	1,068	1,068	
Technology Literacy Challenge					
Title II Part D - 074290-0607	84.318	2,885	2,885	2,885	
Improving Teacher Quality					
Title II Part A - 070520-0607	84.367	50,711	50,711	50,711	
Rural & Low Income Schools					
Title VI Part B - 060660-0607	84.358	18,294	18,294	18,294	
Title VI Part B - 070660-0607	84.358	25,638	7,234	7,234	
		43,932	25,528	25,528	
Total Passed Through MDE		692,603	370,404	370,404	

(Continued)

UNIONVILLE-SEBEWAING AREA SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Current Year Expenditures</u>	<u>Current Year Receipts</u>	<u>Deferred Revenue</u>
Passed Through ISD					
Safe & Drug-free Schools & Communities 072860/0607	84.186	2,123	838	2,123	\$ (1,285)
Tech Prep Grant 7014-11	84.243A	2,000	2,000	2,000	
Total Passed Through ISD		4,123	2,838	4,123	(1,285)
Total U.S. Department of Education		696,726	373,242	374,527	(1,285)
Total Federal Financial Assistance		\$ 846,614	\$ 523,130	\$ 524,415	\$ (1,285)

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

1. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the District's federal awards and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.
2. Expenditures on this schedule reconcile with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
3. The amounts reported on the R7120, Grants Section Auditors' Report, reconcile with this schedule.
4. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities.
5. The program tested as major programs were:

6. Reconciliation to the Financial Statements:

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